

Message Text

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ACTION SS-25

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S E C R E T CAIRO 11576

EXDIS

E.O. 11652: GDS
TAGS: PFOR, EAID, EFIN, EG, XE
SUBJ: ABU ISMAIL ON GODE

REF: CAIRO 11442

SUMMARY: ABU ISMAIL SAYS GODE OFFERED \$250 MILLION BANK
GUARANTY AND \$250 MILLION CASH. HE ACCEPTED FIRST AND REJECTED
SECOND BECAUSE OF TEMS AND ASKED THAT TERMS BE REVIEWED.
AS RESULT SADAT/KHALID TALK, PRIMIN SALEM WILL SOON VISIT
SAUDI ARABIA TO DISCUSS WITH PRINCE FAHD POSSIBILITY
INCREASING GODE HELP TO GOE. ABU ISMAIL CONFIRMS HE
HAS BEEN IN TOUCH WITH LOCAL CHASE AND CITIBANK REPS
TO REQUEST THEY ACT JOINTLY TO FLOAT LOAN AGAINST GODE
GUARANTEE. CLAIMS EACH WOULD LIKE TO DO IT ALONE, BUT GOE
PREFERS JOINT ACTION. DEBS WELCOME AND MEETING WITH
ABU ISMAIL AND SHAFEI FIXED. MEETING WITH SADAT STILL
BEING EXPLORED. FINALLY, ABU ISMAIL CONFIRMS GOE HAS
NO RPT NO IRANIAN COMMITMENT TO GUARANTEE BANK LOAN.
END SUMMARY

1. DURING CALL ON MINFIN ABU ISMAIL THIS MORNING, HE
GAVE HIS VERSION OF GODE TALKS. ACCORDING TO HIM GODE
AGREED TO EXTEND A BANK GUARANTEE OF \$250 MILLION. IT
ALSO OFFERED \$250 MILLION IN CASH, BUT THIS WAS REFUSED
BY ABU ISMAIL BECAUSE OF THE TERMS--THREE YEAR GRACE

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PERIOD, TWO YEAR REPAYMENT, FIVE PERCENT INTEREST. ABU

ISMAIL STATES HE ASKED GODE MEMBERS TO REVIEW THEIR POSITION. ABU ISMAIL EXPLAINED THAT HE HAD REFUSED THE CASH OFFER BECAUSE THE TERMS WERE WORSE THAN THE GULF STATES HAVE GIVEN TO GOE ON BILATERAL LOANS. QATAR, FOR EXAMPLE, HAD OFFERED ITS MONEY EARLIER THIS YEAR WITH A FOUR YEAR GRACE PERIOD AND TEN YEARS TO REPAY WITH TWO PERCENT INTEREST. ABU DHABI HAD OFFERED ITS FUNDS WITH A TEN YEAR GRACE PERIOD WITH NO INTEREST AND REPAYMENT OVER THIRTY YEARS AT TWO PERCENT INTEREST. ABU ISMAIL STRESSED THAT GOE HAS NOT RPT NOT ANNOUNCED THE SPECIFICS OF THE GODE OFFER AND ASKED THAT WE HOLD THIS INFORMATION CLOSELY.

2. CONTINUING, ABU ISMAIL STATED HE HAD AT ONCE CALLED IN CHASE AND CITIBANK REPRESENTATIVES TO ASK THAT THEY FLOAT A COMMERCIAL LOAN BASED ON AFOREMENTIONED GODE BANK GUARANTEE. ACCORDING TO HIM, CITIBANK HAS ACCEPTED, BUT HE HAD INDICATED PREFERENCE HAVE CHASE AND CITIBANK ACT JOINTLY. HE WANTS CHASE IN BECAUSE OF THE PRESIDENT'S EARLIER REQUEST TO DAVID ROCKEFELLER TO BE GOE-FINANCED CONSULTANT. HE HAD ALSO SUGGESTED TO RICHEY OF CHASE THAT HE CHECK WITH SAUDI MINFIN ABA KHAIL TO MAKE SPECIFIC ARRANGEMENTS. ABA KHAIL HAD TOLD ABU ISMAIL THAT, ONCE GOE SPECIFIES THE BANK, SAG IS PREPARED TO PROCEED. ABA KHAIL HAD BEEN HELPFUL, ATIQI HAD NOT BEEN SO.

3. ASKED WHAT THE NEXT STEP RE GODE MIGHT BE, ABU ISMAIL THOUGHT HTE PARTICIPATING GOVTS WILL HAVE TO GET TOGETHER TO REVIEW THEIR OFFER. HE ALSO SAID THAT SADAT HAD DISCUSSED THE WHOLE GODE MATTER WITH KING KHALID, DURING THE PRESIDENT'S RECENT TAIF TRANSIT, AND THAT THE KING HAD EXPRESSED A WILLINGNESS TO CONSIDER INCREASING GODE CAPITALIZATION. KHALID HAD SUGGESTED PRIMIN MAMDUH SALEM VISIT SAUDI ARABI TO DISCUSS THE SUBJECT FURTHER WITH PRINCE FAHD. ABU ISMAIL EXPECTS PRIMIN TO MAKE SUCH A TRIP SOON, BUT NO DATE YET FIXED.

4. I INFORMED ABU ISMAIL OF UPCOMING DEBS MISSION. HE WAS INTERESTED AND STRESSED THE NEED FOR EXPEDITIOUS ACTION BY CHASE AND CITIBANK TO FLOAT A LOAN BASED ON GODE GUARANTEE. HE REITERATED HIS PREVIOUS STATEMENT
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THAT HE NEEDS ABOUT ONE BILLION DOLLARS BETWEEN NOW AND THE END OF THE CALENDER YEAR TO MEET GOE'S OBLIGATIONS. DEBS' MEETING WITH ABU ISMAIL HAS BEEN FIXED FOR 1100 HOURS, MONDAY, AUGUST 30, AND WITH MINECON SHAFEI AT 1200 SAME DAY. HAVE ALSO TALKED WITH HASSAN KAMEL, PRESIDENCY DIRECTOR, ABOUT POSSIBLE MEETING WITH SADAT. KAMEL THOUGHT PRESIDENT WILL WANT TO MEET DEBS AND PROMISED CALL ME BACK.

5. ABU ISMAIL NOTED THAT CITIBANK MANAGER JACK GOODRIDGE PLANNED TO CALL ON HIM LATER THIS MORNING, ACCOMPANIED BY A SENIOR REPRESENTATIVE OF CITIBANK'S MAIN OFFICE IN NEW YORK, TO DISCUSS LOAN.

6. I TOLD ABU ISMAIL THAT I WAS GLAD TO HEAR THAT GODE WAS WILLING TO GUARANTEE A BANK LOAN, BUT ALSO ASKED ABOUT STATUS OF IRANIAN BANK GUARANTEE, WHICH WE HAD FREQUENTLY DISCUSSED IN PAST. ABU ISMAIL SAID THAT HE HAD ERRED IN HIS EARLIER STATEMENT THAT THE SHAH HAD AGREED TO SUCH A BANK GUARANTEE. WHEN ABU ISMAIL ASKED PRIMIN ABOUT THE MATTER, SALEM HAD INDICATED THAT THE SHAH HAD SPOKEN GENERALLY OF HELPING EGYPT, BUT THERE HAD BEEN NO RPT NO FURTHER SPECIFIC OFFER OF AN IRANIAN BANK GUARANTEE.

7. RE DEBS' VISIT, WE WILL BE OF ALL APPROPRIATE ASSISTANCE, BUT WILL ALSO HAVE TO TAKE CARE THAT WE NOT APPEAR TO BE FAVORING CHASE OVER CITIBANK. ALTHOUGH CHASE HAS MENTIONED EGYPTIAN REQUEST TO US, CITIBANK REPS HAVE THUS FAR NOT DONE SO. AS INDICATED ABOVE, ABU ISMAIL WOULD LIKE THE TWO TO ACT JOINTLY IN FLOATING REQUIRED LOAN.
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